

AMENDED IN SENATE MAY 7, 2014
AMENDED IN SENATE APRIL 30, 2014
AMENDED IN SENATE MARCH 26, 2014

SENATE BILL

No. 1152

Introduced by Senator Anderson

February 20, 2014

An act to amend Section 215.1 of the Revenue and Taxation Code, relating to taxation, to take effect immediately, tax levy.

LEGISLATIVE COUNSEL'S DIGEST

SB 1152, as amended, Anderson. Property taxation: exemptions: veterans' organizations.

Existing property tax law establishes a veterans' organization exemption under which property is exempt from taxation if, among other things, that property is used exclusively for charitable purposes and is owned by a veterans' organization.

This bill would provide that property owned by an organization that satisfies the requirements for the veterans' organization exemption may not be denied the veterans' organization exemption because the property is occasionally made available for private rentals as a service to the community, under specified conditions.

Section 2229 of the Revenue and Taxation Code requires the Legislature to reimburse local agencies annually for certain property tax revenues lost as a result of any exemption or classification of property for purposes of ad valorem property taxation.

This bill would provide that, notwithstanding Section 2229 of the Revenue and Taxation Code, no appropriation is made and the state

shall not reimburse local agencies for property tax revenues lost by them pursuant to the bill.

This bill would take effect immediately as a tax levy.

Vote: majority. Appropriation: no. Fiscal committee: yes.

State-mandated local program: no.

The people of the State of California do enact as follows:

1 ~~SECTION 1. The Legislature finds and declares all of the~~
2 ~~following:~~

3 ~~(a) Section 501(c)(19) of the United States Internal Revenue~~
4 ~~Code and related federal regulations provide for the exemption for~~
5 ~~posts or organizations of war veterans, or an auxiliary unit or~~
6 ~~society of, or a trust or foundation for, any such post or~~
7 ~~organization that, among other attributes, carries on programs to~~
8 ~~perpetuate the memory of deceased veterans and members of the~~
9 ~~Armed Forces and to comfort their survivors, conducts programs~~
10 ~~for religious, charitable, scientific, literary, or educational purposes,~~
11 ~~sponsors or participates in activities of a patriotic nature, and~~
12 ~~provides social and recreational activities for their members.~~

13 ~~(b) Section 215.1 of the Revenue and Taxation Code stipulates~~
14 ~~that all buildings, and so much of the real property on which the~~
15 ~~buildings are situated as may be required for the convenient use~~
16 ~~and occupation of the buildings, used exclusively for charitable~~
17 ~~purposes, owned by a veterans' organization that has been chartered~~
18 ~~by the Congress of the United States, organized and operated for~~
19 ~~charitable purposes, when the same are used solely and exclusively~~
20 ~~for the purpose of the organization, if not conducted for profit and~~
21 ~~no part of the net earnings of which ensures to the benefit of any~~
22 ~~private individual or member thereof, are exempt from taxation.~~

23 ~~(c) The Chief Counsel of the State Board of Equalization~~
24 ~~concluded, based on a 1979 appellate court decision, that only~~
25 ~~parts of American Legion halls are exempt from property taxation~~
26 ~~and that other parts, such as billiard rooms, card rooms, and similar~~
27 ~~areas, are not exempt.~~

28 ~~(d) In a 1994 memorandum, the State Board of Equalization's~~
29 ~~legal division further concluded that the areas normally considered~~
30 ~~eligible for exemptions are the office areas used to counsel veterans~~
31 ~~and the area used to store veterans' records, but that the meeting~~

1 hall and bar found in most of the facilities are not considered used
2 for charitable purposes.

3 (e) Tax-exempt status is intended to provide economic incentive
4 and support to veterans' organizations to provide for the social
5 welfare of the community of current and former military personnel.

6 (f) The State Board of Equalization's constriction of the tax
7 exemption has resulted in an onerous tax burden on California
8 veteran service organizations posts or halls, hinders the posts'
9 ability to provide facilities for veterans, and threatens the economic
10 viability of many local organizations.

11 (g) The charitable activities of a veteran service organizations
12 post or hall are much more than the counseling of veterans. The
13 requirements listed for qualification for the federal tax exemption
14 clearly dictate a need for more than just an office.

15 (h) Programs to perpetuate the memory of deceased veterans
16 and members of the Armed Forces and to comfort their survivors
17 require the use of facilities for funerals and receptions.

18 (i) Programs for religious, charitable, scientific, literary, or
19 educational purposes require space for more than 50 attendees.

20 (j) Activities of a patriotic nature need facilities to accommodate
21 hundreds of people.

22 (k) Social and recreational activities for members require
23 precisely those areas considered "not used for charitable purposes"
24 by the State Board of Equalization.

25 (l) The State Board of Equalization's interpretation of the
26 Revenue and Taxation Code reflects a lack of understanding of
27 the purpose and programs of the veteran service organizations
28 posts or halls and is detrimental to the good works performed in
29 support of our veteran community.

30 ~~SEC. 2.~~

31 *SECTION 1.* Section 215.1 of the Revenue and Taxation Code
32 is amended to read:

33 215.1. (a) All buildings, and so much of the real property on
34 which the buildings are situated as may be required for the
35 convenient use and occupation of the buildings, used exclusively
36 for charitable purposes, owned by a veterans' organization that
37 has been chartered by the Congress of the United States, organized
38 and operated for charitable purposes, when the same are used solely
39 and exclusively for the purpose of the organization, if not
40 conducted for profit and no part of the net earnings of which inures

1 to the benefit of any private individual or member thereof, shall
2 be exempt from taxation.

3 (b) The exemption provided for in this section shall apply to
4 the property of all organizations meeting the requirements of this
5 section and subdivision (b) of Section 4 of Article XIII of the
6 California Constitution and paragraphs (1) to ~~(7)~~, (4), inclusive,
7 (6), and (7) of subdivision (a) of Section 214.

8 (c) (1) *The exemption specified by subdivision (a) shall not be*
9 *denied to a property on the basis that the property is used for*
10 *fraternal, lodge, or social club purposes.*

11 (2) *With regard to this subdivision, the Legislature finds and*
12 *declares all of the following:*

13 (A) *The exempt activities of a veterans' organization as*
14 *described in subdivision (a) qualitatively differ from the exempt*
15 *activities of other nonprofit entities that use property for fraternal,*
16 *lodge, or social club purposes in that the exempt purpose of the*
17 *veterans' organization is to conduct programs to perpetuate the*
18 *memory of deceased veterans and members of the Armed Forces*
19 *and to comfort their survivors, to conduct programs for religious,*
20 *charitable, scientific, literary, or educational purposes, to sponsor*
21 *or participate in activities of a patriotic nature, and to provide*
22 *social and recreational activities for their members.*

23 (B) *In light of this distinction, the use of real property by a*
24 *veterans' organization as described in subdivision (a), for*
25 *fraternal, lodge, or social club purposes is central to that*
26 *organization's exempt purposes and activities.*

27 (C) *In light of the factors set forth in subparagraphs (A) and*
28 *(B), the use of real property by a veterans' organization as*
29 *described in subdivision (a) for fraternal, lodge, or social club*
30 *purposes, constitutes the exclusive use of that property for a*
31 *charitable purpose within the meaning of subdivision (b) of Section*
32 *4 of Article XIII of the California Constitution.*

33 (d) *Property owned by an organization that satisfies the*
34 *requirements of Section 215 or this section shall not be denied the*
35 *veterans' organization exemption because the property is*
36 *occasionally made available for private rentals as a service to the*
37 *community, provided that the amount of rental fee charged is*
38 *limited to that amount necessary to reimburse the veterans'*
39 *organization for its costs in making the rental available, and any*

1 *proceeds from the rentals are used exclusively for the charitable*
2 *purposes of the organization.*

3 ~~(e)~~

4 (e) An organization that files a claim for the exemption provided
5 for in this section shall file with the assessor a valid organizational
6 clearance certificate issued pursuant to Section 254.6.

7 ~~(d)-(1)~~

8 (f) This exemption shall be known as the “veterans’ organization
9 exemption.”

10 ~~(2) Property owned by an organization that satisfies the~~
11 ~~requirements of Section 215 or this section shall not be denied the~~
12 ~~veterans’ organization exemption because the property is~~
13 ~~occasionally made available for private rentals as a service to the~~
14 ~~community, provided that the amount of rental fee charged is~~
15 ~~limited to that amount necessary to reimburse the veterans’~~
16 ~~organization for its costs in making the rental available, and any~~
17 ~~proceeds from the rentals are used exclusively for the charitable~~
18 ~~purposes of the organization.~~

19 ~~SEC. 3.~~

20 SEC. 2. Notwithstanding Section 2229 of the Revenue and
21 Taxation Code, no appropriation is made by this act and the state
22 shall not reimburse any local agency for any property tax revenues
23 lost by it pursuant to this act.

24 ~~SEC. 4.~~

25 SEC. 3. This act provides for a tax levy within the meaning of
26 Article IV of the Constitution and shall go into immediate effect.